

LEGISLATIVE AGENDA  
AIR CARRIERS FOR TAX FAIRNESS  
2006

Aviation has suffered in the last five years. As an industry that is critical to the economy, it is ironic that it has never been favored with the kind of sustainable profits that would provide stability going forward. As Michigan based cargo carriers, we are especially affected by not only the issues that plague the airline industry but we are dealing with a double dose, the problems of the auto industry upon which much of our businesses have been built. We are a mixed lot with some having rebounded with strong international business plans and some languishing with more domestic routes. In both cases we remain an essential component of the local, state and national economy. As Michigan based carriers we would like to put forward a legislative agenda that will give us relief in the short term and assist with our going forward business efforts.

**Fuel taxes-**The State of Michigan currently has a rebate for 50% of the .03 cents per gallon on aviation fuel. This rebate is limited to "scheduled passenger operations". It is not available to either cargo or non-scheduled operators. The bases for this exclusivity was the assertion that scheduled carriers take on fuel and leave the state while non-scheduled carriers have in intra-state operation and consume their fuel within the confines of Michigan. This is not correct and as such we would like parity for all commercial operators. As a matter of fact, many of the carriers operate aircraft large enough to tanker fuel so that they can plan fuel stops based on cost. Our aircraft can carry 165,000 lbs of fuel and we can fly twelve hours without re-fueling. So we can fly across the United States and back again easily. So if fuel prices are attractive in Michigan, we will actually sell more fuel and collect more taxes.

The rebate should be based on the fact that the operator is a commercial air carrier and as such is supporting the aviation budget in other and more meaningful ways. Excise tax, landing and ramp fee's, fuel flowage fee's and hanger, labor taxes and wages and hanger/office rent. The current language simply needs to be broadened to include all commercial air carriers.

**Kalitta Air-**Is currently working with the state in an effort to expand it facilities in Oscoda. Kalitta is currently the largest employer in a county with 12% unemployment. Their facility expansion would allow Kalitta to do required maintenance in Oscoda instead of sending it outside the state or country. Other Michigan carriers use this facility when possible, but the physical plant cannot accommodate the demand. This has the potential of bringing dollars and jobs to Michigan.

**SBT-**As the SBT debates continue, the aviation community wants to be at the table to ensure that whatever the replacement is for SBT tax revenue does not unfairly burden or penalize the commercial aviation industry in Michigan.

**Use and Sales Tax-**For the last ten plus years, commercial aviation in Michigan and most of the 50 states has enjoyed an exemption from sales and use tax on aircraft and

aircraft parts. An issue has recently been raised regarding aircraft leased to Michigan based operators. An amendment has raised question regarding whether leased aircraft enjoy the same exemption. It has been clarified in the Act for "scheduled passenger" operations but again the issue of non-scheduled and cargo comes into question. We believe the code is clear and the existing language provides the exemption. But we may require some clarifying language in the Use and Sales Tax Act.

**Surplus Lines Tax-**In an effort to encourage aviation business consumers of insurance to acquire their insurance locally, there is a penalty assessed for insurance purchased outside of Michigan by Michigan Air Carriers. In that there is not a source for Aviation Insurance within Michigan this seems unreasonable and does nothing for the goal of encouraging the use of local sources. We certainly use local insurance brokers, but there are no Michigan Aviation Underwriters. So this provision and penalty should be removed.

Everyone has a story and everyone is looking for tax relief. In our case most of what we seek is equal treatment and fairness. We look forward to working with the legislature and executive branch in an effort to stabilize business, increase employment, and improve the states economy going forward.